

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4310-01
Bill No.: SB 1174
Subject: Housing; Economic Development Department.
Type: Original
Date: February 16, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
General Revenue	\$11,564,500	\$23,129,000	\$23,129,000
Total Estimated Net Effect on General Revenue Fund	\$11,564,500	\$23,129,000	\$23,129,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 4 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials from the **Office of the Governor** state the proposal would have no direct cost to their agency.

Officials from the **Department of Economic Development - Missouri Housing Development Commission (MHDC)** state this bill would abolish MHDC effective January 1, 2005 and transfer responsibility for all MHDC programs, activities and operations to the Department of Economic Development.

The MHDC states they were created as a governmental instrumentality of the state with the authority to issue bonds, and state they are unsure whether DED would be able to continue to operate some MHDC programs since they do not have the authority to issue bonds.

The MHDC states this bill could have significant negative economic effects if DED cannot operate all MHDC program since MHDC programs are responsible for financing the construction of approx. 3,000 affordable rental units a year and finance mortgages for approximately 2,500 first time homebuyers each year.

The MHDC assumes, with this proposal, that the state would become responsible for the approximately \$1.4 billion in debt that is currently outstanding.

RAS:LR:OD (12/02)

ASSUMPTION (continued)

Oversight reviewed the audited financial statements of the MHDC (as of June 30, 2003), which show the MHDC having \$1,374,609,000 in outstanding bonds and notes payable that could become the responsibility of the state if the MHDC responsibilities are incorporated into the Department of Economic Development. The MHDC also has Net Assets of \$352.41 million that would now be under the guidance of DED.

The Operating Revenues for the MHDC for the year ended June 30, 2003 were \$223.362 million, while the Operating Expenses were \$200.233 million, resulting in a Net Income of \$23.129 million for the year. **Oversight** will assume all operations of the MHDC will continue to function as they have been able to and will not be impacted by the transfer to DED. Oversight will present the MHDC prior year results as the new income and expense amounts into and out of the General Revenue fund under the Department of Economic Development. Oversight will also assume the revenues currently received into the MHDC will represent new state revenues.

Oversight will assume six months of impact in FY 2005, since the change is to occur on January 1, 2005.

This proposal will increase Total State Revenues.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (6 Mo.)	FY 2006	FY 2007
GENERAL REVENUE			
<u>Income</u> - from the MHDC now under DED	\$111,681,000	\$223,362,000	\$223,362,000
<u>Expenses</u> - from the MHDC now under DED	<u>(\$100,116,500)</u>	<u>(\$200,233,000)</u>	<u>(\$200,233,000)</u>
ESTIMATED NET EFFECT TO THE GENERAL REVENUE FUND	<u>\$11,564,500</u>	<u>\$23,129,000</u>	<u>\$23,129,000</u>
 <u>FISCAL IMPACT - Local Government</u>			
	FY 2005 (6 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This proposal abolishes the Missouri Housing Development Commission on January 1, 2005. All the activities, programs and operations formerly conducted by the commission shall be transferred to the Director of the Department of Economic Development.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Economic Development
Missouri Housing Development Commission
Office of the Governor



Mickey Wilson, CPA
Director
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